



CenturyLink™

Thomas M. Dethlefs

Associate General Counsel - Regulatory

10th Floor

1801 California Street

Denver, CO 80202

303-992-5791

Thomas.dethlefs@centurylink.com

VIA ECFS

EX PARTE

July 22, 2013

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: *Rates for Interstate Inmate Calling Service*, WC Docket No. 12-375

Dear Ms. Dortch:

On July 18, Jeb Benedict (in person), Paul Cooper, Tom Dethlefs, Tom Grimaldi, and Glenda Weibel (by phone) met with representatives of the Wireline Competition Bureau's Pricing Policy Division. FCC staff at the meeting included Kalpak Gude (Division Chief), Greg Haledjian (Attorney Advisor), and John Hunter (Chief Policy Counsel).

CenturyLink explained that it understands the social benefits of economical inmate calling services. However, it operates in a high-cost environment, and with profit margins consistent with the very high level of competition in this market. CenturyLink does not believe that rate caps are appropriate or workable for the reasons stated in its prior filings in this docket. However, if changes are to be made, the Commission should not make abrupt changes in policy that could make existing public contracts uneconomic. CenturyLink has made very large investments in long-term public contracts. In Texas, for example, CenturyLink has spent tens of millions of dollars building calling infrastructure for the prison system. Service providers cannot readily renegotiate publicly-awarded contracts, so it's important that, if a change is to be made, they be given a fair and reasonable transition time to any newly ordered rate structure.

CenturyLink also explained that service rates are determined by correctional authorities. That includes commissions many authorities require to make the service available. Service providers cannot simply modify rates or commissions. In Texas, the commission on inmate calling services is set by statute and applied by state correctional authorities by contract. Although eight states have taken steps to discontinue their reliance on commissions, many authorities still rely on call commission revenue.

CenturyLink cautioned that the FCC needs to exercise caution in making new policies on inmate calling services. Regulating rates, setting caps or benchmarks, or limiting commissions can lead to unintended consequences. Some of these may undermine necessary security features; many may ultimately undermine intended benefits for inmate families. They may also lead reputable providers to decline to bid on new business.

CenturyLink added that the Commission should not try to compel unreasonably low calling rates. Security technology on inmate calling platforms is advancing to meet the needs of new communications options. In the past few years, CenturyLink's calling platform has been upgraded to include features such as voice biometrics, tracking location of cell phones receiving calls, link analysis software, audio word search, and contraband cell phone extraction equipment and integration. These capabilities are provided through third-party specialized security firms, and royalties and/or other payments on these capabilities alone can add 4 to 5 cents per minute to the cost of carrying a call. Additional capabilities are also in development. These costs also do not consider the cost to correctional facilities for the investigative staff required to use these features. The inability to fund security advancements, due to rate caps, would necessarily lead to limits on calling at some facilities.

Finally, CenturyLink noted that uniform calling rates cannot be expected across all correctional facilities. Inmate advocates have cited the New York Department of Correction's \$0.048/minute rate as a standard. CenturyLink does not provide service at New York facilities. But CenturyLink is familiar with the contract and knows that, because it is approximately 5 years old, it does not include advanced security features that are increasingly expected or demanded. In addition, small prison systems usually require higher rates than large systems, where the bigger inmate populations can better support the facilities investment.

Separately, CenturyLink notes that counsel for the Martha Wright Petitioners submitted an ex parte letter on July 18, which cited bids submitted by three inmate calling services providers to the Florida Department of Corrections. CenturyLink has received an Intent to Award notice from the Department for the contract, with a rate of \$0.099 per minute and no per-call surcharge, while paying a commission of 62.6% for the contract's five-year "base" period. Florida, however, is among the very largest state correctional systems in the country, with significant economies of scale, existing infrastructure that can be re-used at no cost to the provider, and a long 5-year base contract period. Similar rates cannot be expected in other systems, whose cost to serve can be multiple times higher than the Florida DOC due to size, lack of hardware and/or system infrastructure, or the need to engage in shorter term contracts. In addition, the rate of \$0.099 per minute does not include the cost for add-on services or advanced security features the DOC requested to be priced separately in that same Best and Final Offer. Still, the decision by the Florida Department of Corrections illustrates how, even in states that require commissions on inmate calling, real progress is being made to provide economical service to inmate families.

Ms. Marlene H. Dortch
July 22, 2013

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Pursuant to Section 1.1206(b) of the Commission's rules, a copy of this notice is being filed in the appropriate docket.

Sincerely,

/s/ Thomas M. Dethlefs

Copy via email to:

Kalpak Gude
Gregory Haledjian
John Hunter